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April 28, 1983

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: Poland: Next Steps (S)

At the April 8 NSPG meeting on Poland, the President asked that a position be reached between Options 2 and 3 of the policy paper discussed. The attached paper prepared by State/NSC/Treasury seeks to reflect this position. Please review and forward all comments by noon, Saturday, April 30, to NSC. Note that the attached document is extremely sensitive and should be handled as such. (S)

William P. Clark

Attachment

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Next Steps on Poland (S)

This paper sets forth an illustrative scenario, linking movement on our part on debt rescheduling with measured, continual improvement in the human rights/political situation in Poland. This scenario reflects the desire of the NSC Planning Group for the United States to regain control of this negotiating situation, to reconstitute Allied solidarity on the question of Polish debt rescheduling, and to develop a balanced approach to this question, bearing in mind our numerous other interests which will be affected by an approach to the Polish debt question. The paper also proposes that multilateral movement on debt rescheduling be complemented with unilateral carrots (fisheries, withdrawal of political objections to other countries extending credits to Poland). (S)

This proposed strategy is two-phased: Short-term -- Steps 1 - 3 (debt rescheduling, fisheries, etc.); Long-term -- Step 4 (economic normalization). Assuming that each of the first three steps proposed have been successfully implemented, only then will we consider moving into the second, long-term phase. Step 4 recommends that if the Polish Government restores the workers' rights to form free labor unions, the USG will engage in economic normalization with the Poles (e.g., MFN, new credits, etc.). Contingent upon economic/political circumstances at the time Step 4 is being considered, economic normalization may include these examples and/or others. (S)

At the Paris Club meeting on April 12, the U.S. agreed to a British proposal that a members' working group be constituted and tasked with preparing an evaluation of Poland's performance of its financial obligations under the 1981 rescheduling agreements. The working group is to report to the next Paris Club meeting in mid-May. We have, meanwhile, told the Allies that our review of the situation in Poland is nearing completion. (S)

If you approve the scenario outlined in this paper, we will begin consultations with the Allies on May 2 and seek their agreement in time for the next Paris Club meeting of Poland's creditors (May 13-18). Assuming there is Allied agreement on the proposed strategy, we will approach the Poles at the end of May. (S)

The key elements of the rescheduling scenario are:

-- A step-by-step approach: We will not proceed from one step to the next until the preceding step has been fully implemented to our satisfaction.

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-- Flexibility: The steps are tailored so that they may be altered to adapt to change. Specifically, parts of steps may be combined to accelerate the process in the event that human rights/political change proceeds at a pace more rapidly than we envisaged, or steps may be stretched out to allow more time for economic/human rights conditionality to be fully implemented.

-- Fail-safe points: The process is conceived so as to allow a unilateral or multilateral cessation of the process should events so warrant (tank clause). (S)

Steps for Debt Rescheduling	Human Rights/Political Conditionality
1. Assuming Allied agreement, tell the Poles that the Paris Club agrees to meet with Poles after July 1 to evaluate compliance with 1981 re-scheduling agreement; reach agreement on payment schedule for 1981 debt not rescheduled (principal and interest) and interest on the rescheduled debt. Indicate to Poles at that time willingness to discuss 1982 rescheduling provided Poles have agreed to the above repayment schedules.	Peaceful, successful completion of Pope's visit; release of the vast majority of political prisoners.
Finally, make it clear to the Poles and Allies that the outcome of the talks will be governed by Polish performance on the political conditions in column 2. *	
Bilateral step: Inform the Poles that following a peaceful, successful Papal visit and the release of the vast majority of political prisoners, we would be prepared to grant Poland a modest fishing allocation in U.S. waters. (S)	

* Treasury believes the Europeans will insist on rescheduling even if the vast majority of political prisoners are not released. Such a U.S. precondition might, however, delay the date for such a rescheduling. (S)

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2. Activate Polish Creditors Group to obtain necessary economic information prior to entering into debt rescheduling talks and, when they have completed their work, begin 1982 debt rescheduling negotiations, provided principal and interest on 1981 debt not rescheduled is paid in full and a down payment is received on interest pursuant to 1981 rescheduling.	Cessation of harassment and the reemployment of released political prisoners; progress on mutually agreed package of economic reform (for example, establishment of workers' councils, guaranteed support by the GOP for private sector agriculture).
Bilateral step: Withdraw political objections to other countries extending credits to Poland. (S)	
3. Begin discussions on 1983 rescheduling conditioned on adherence to 1981 and 1982 agreement. (S)	Continued human rights and economic reform progress.
4. Engage in economic normalization with the Poles (e.g., MFN, new credits, etc.). (S)	Restore workers' rights to form free labor unions.

Implementation

Begin consultations with our Allies on May 2 and, assuming they agree, tell the Poles that we agree to a Paris Club meeting with them after July 1 on debt rescheduling.

At some point, the question of Poland's pending application for membership in the IMF may arise. While we will need to deal with this issue at some future time in the context of our overall approach to Poland, a Presidential decision is not necessary at this time. (S)

RECOMMENDATION:

That you approve the proposed strategy toward Poland. (C)

Approve_____ Disapprove_____

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Attachment 2

30 April 1983

MEMORANDUM FOR: William P. Clark

SUBJECT : Poland: Next Steps

FROM : Deputy Director of Central Intelligence

CIA has no comment on the policy direction of the memorandum

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Progress on economic reform, to include legitimate workers' rights and improving the functioning of private agriculture.

S by
John McMahon

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NIC #3170-83
29 April 1983

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM : Stanley M. Moskowitz
National Intelligence Officer for USSR-EE

SUBJECT : Memorandum from William P. Clark, dated 28 April 1983
Subject: Poland: Next Steps

1. Background. I believe that the NSC Memorandum faithfully responds to the President's directive given at the NSPG meeting which you attended on 8 April. We have discussed it with the NSC staff which informed us that:

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I recommend that you support the NSC memorandum with one change outlined in Para 4 below and spelled out in Att. 1.

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18	AO/DCI				
19	C/IPD/OIS				
20	NIO/Econ		X		
21	NIO/USSR-EE	X			
22					

SUSPENSE 1600 29 April
Date

Remarks:

Please coordinate with NIO/Econ and prepare comments for DDCI signature.

Executive Secretary

29 April 83
Date

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